COLONIAL CONFERENCE, 1894.

FURTHER CORRESPONDENCE

BETWEEN

SIR CHARLES TUPPER AND SIR JOHN PENDER

ON THE SUBJECT OF A

PROPOSED PACIFIC CABLE.

(*In continuation of Correspondence printed in* [C. 7553], *August* 1894.)

Presented to both Houses of Parliament by Command of Her Majesty,
12th February 1895.

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(*In continuation of Correspondence printed on pp.* 367–371 *of* [C. 7553], *August* 1894.)

SIR CHARLES TUPPER to COLONIAL OFFICE.

Victoria Chambers, 17, Victoria Street,
London, S.W., December 12, 1894.

SIR,

I HAVE observed that in the recently issued Parliamentary Paper [C. 7553] relating to the Colonial Conference at Ottawa, a letter from Sir John Pender to the Marquess of Ripon, dated the 2nd June, 1894, enclosing certain correspondence between him and myself, is printed (pages 367–371).

After the date of that communication, however, a further correspondence took place between Sir John Pender and myself on the subject at issue, which should be read in conjunction with that presented to Parliament in the Bluebook referred to.

I therefore beg to enclose, herewith, a copy of this later correspondence for the information of Lord Ripon, and for publication if his Lordship sees no objection.

I am, &c.
CHARLES TUPPER.

Enclosure No. 1.

SIR CHARLES TUPPER to SIR JOHN PENDER.

Office of the High Commissioner for Canada,
17, Victoria Street, London, W.C.,
June 4, 1894.

DEAR SIR JOHN PENDER,

IN reply to your letter of the 30th of May, I beg to remind you that we joined issue on the following points :—

1st. Whether the "existing service was established solely by private enterprise."

2nd. Whether the life of a cable is 14 years.

3rd. Your assertion that my "description of the existing system as a monopoly cannot be justified."

4th. That a Pacific cable has no strategic value.

I respectfully submit that the admission that the "existing service" has already received Government subsidies exceeding 2,000,000*l.* settles the first issue.

You reject the authority of the Berne list, for the accuracy of which I supposed you were responsible, quoted by me in support of my contention as to the life of a cable, but you have not met my quotation from a recent speech of your own, which showed the life of a cable to be nearer 25 years. Permit me to quote the further evidence of another high authority on that question—your late colleague, Sir James Anderson—who was knighted for laying the first successful cable between England and America. In October 1886, at a meeting of the Direct Spanish Telegraph Company, Sir James Anderson, presiding, said : "They estimated the life of the Barcelona cable at 25 years." It had then been in operation 13 years, and great improvements have been made in the manufacture of cables since the Barcelona cable was constructed. I think I may now fairly consider the second part of our controversy disposed of.

As to the "monopoly" question, you intimate that Mr. Raikes was misled by Mr. Fleming. I will now give you an authority which I am sure you will respect, for it is your own. I find the following statements in a letter written by you to Sir Henry Holland, dated 18th April, 1887: "If reference is made in any way to the existing "companies as a monopoly, my answer is that it has been so created by the great "energy with which the company have carried on their extensions . . . . I would "also draw your attention to the fact that, while it has been made a monopoly through "the circumstances I have stated, &c." While this public record remains, you will, I imagine, hardly repeat the statement that I am not justified in considering the "existing system as a monopoly."

As to the question of the strategic value of a Pacific cable, not only the "Globe," from which I quoted, but the Press generally of this country, of Australasia, and Canada, have been emphatic in their declarations in opposition to your views, nor can I see how any disinterested man can hold any other opinion. The cable communication between this country and India and Australasia passes through several foreign countries, and in the contingency of a European war could not be relied on.

You say, in reply to the statement in the "Globe," that, in the case of your cable between Aden and Bombay being injured, communication with India would be interrupted, that you have three other routes practically under your control. I suppose the three routes you refer to are those given in the official maps of the International Bureau :—

1st. Through Russia, Siberia, Japan, and China.

2nd. Through Germany, Russia, and Persia to Kurrachee.

3rd. Through Constantinople and the Euphrates Valley to Kurrachee.

I am not aware that these long overland lines are under the control of the Eastern Telegraph Company.

For Imperial purposes, the first and second routes present insuperable difficulties, and I do not think that your experience in telegraphy with India will lead you to consider as reliable the Euphrates Valley Line, which belongs to the Turkish Government and passes through a country bristling with physical difficulties, rendering the maintenance of good communication almost impossible. You must, however, admit that, if the Indian land wires in the neighbourhood of Kurrachee and Bombay were interrupted, all communication by telegraph between these towns and Calcutta, Madras, and Australia would require to be transmitted to Europe for re-transmission through the only remaining route open to the East, viz., through Russia, Siberia, Japan, and China. An all-British line, *viâ* Canada to Australia, remote from any hostile influence, might at any moment, therefore, become vital to the best interests of the Empire. As to the financial prospects of this enterprise, I am glad to find that you have revised the estimate you submitted to Lord Ripon in April, and now make the deficit 48,000*l.* instead of 120,000*l.*, at which you then stated it. I beg to suggest that if you will place the amortization of the cable at 25 years, and add the receipts of the large volume of United States and Canadian traffic that will be created by a Pacific cable, and make fair allowance for the usual increase of traffic, your latest calculation will be considerably modified. Allow me to add that your adherence to 14 years as the life of the cable in order to show the scheme financially impracticable will, in my opinion, convince many persons that the enterprise cannot be condemned by fair calculations.

I remain, &c.

CHARLES TUPPER.

Sir John Pender, G.C.M.G., M.P.

P.S.—I am sending this letter to "The Times."

Enclosure No. 2.

Sir JOHN PENDER to Sir CHARLES TUPPER.

The Eastern Extension, Australasia, and China Telegraph Company, Limited,
Winchester House, 50, Old Broad Street,
London, E.C., June 6, 1894.

DEAR SIR CHARLES TUPPER,

I HAVE received your letter of the 4th instant, from which it is quite clear that our views on the Pacific cable question are so divergent that no practical purpose will be served by continuing the correspondence any longer.

But before closing it permit me to briefly deal with the principal points raised in your last letter, and to express the hope that the facts and figures which have been elicited by the correspondence may be found useful to the Ottawa Conference, and more particularly to the investing public, who will eventually have to decide the question, if it is to take a practical shape.

With regard to the first point, I think any unprejudiced person reading my previous letter will have been convinced that the pioneer service to Australia was established solely by private enterprise, and that the Government subsidies granted years afterwards for an entirely different purpose have no bearing on the argument.

As to the second point, it is true that there are cables still working which were laid 25 years ago; but, on the other hand, many cables equally well manufactured and laid, have been known to require entire renewal in as short a time as 12 to 17 years after they have been submerged. In short, the life of a cable is notoriously uncertain, depending very largely on the locality and nature of the bottom over which it is laid, and it is therefore impossible to accurately measure such an unknown quantity. I have never, however, asserted that a Pacific cable would last only 14 years. All I have done is to base my calculation for amortization on the period fixed by the Wellington Conference for the proposed guarantee—viz., 14 years.

If, however, we take 20 years, which is the more usual period for subsidy or guarantee arrangements of this kind, as the basis of calculation, the financial result to an investor would still be most disappointing, as shown by the following figures:—

			£
Capital - - - - - -			1,800,000
Working Expenses - - -	225,000		
Maintenance - - -	35,000		
		260,000	
Amortization to replace Capital at end of 20 years -		67,000	
			127,000
Less earnings estimated on basis of one-half existing traffic - - . - . -		45,000	
Four per cent. guarantee - - -		72,000	
			117,000
Leaving an actual loss to investors of - -			10,000

And if the Pacific cable were duplicated, which I contend would be absolutely necessary to make it a successful competitor to the existing system, the loss would, of course, be immensely greater.

When writing to Sir Henry Holland the letter to which you refer, I was endeavouring to meet objections raised by opponents to the strong position which we had built up, and which had been described as a monopoly. As a matter of fact, our control of the Australian traffic has never depended on the possession of exclusive privileges, which alone would constitute a monopoly in the strict sense of the word, but it has been the result of good businesslike work carried out on strictly economical principles.

As to the strategic question, I can only express surprise that you should think a Pacific cable would be safer in time of war than the existing cables, which follow the principal trade routes, where British war vessels would presumably be found in far greater force than in such a remote region as the Pacific Ocean.

The three alternative routes which I had in mind when referring to the "Globe" article were:—

1. The cables from England to Aden round the coast of Africa.
2. The Indo-European Company's system.
3. The Great Northern Company's system.

With the Indo-European and Great Northern Companies we have working agreements, and the first-named route is, to a large extent, owned by the Eastern Company.

With regard to your last point, the only difference between the figures submitted to Lord Ripon and those given in my letter of the 30th ultimo* is that in the one case the deficit includes four per cent. interest on capital and in the other the deficit is shown without interest. But the practical result to an investor is precisely the same, and with such figures before you I would again ask whether you would be prepared to put your name to a prospectus inviting subscriptions from the public for such an unprofitable scheme.

* Page 370 of C. 7553.

Having now answered your letter, the correspondence must cease, as your time and mine is much too valuable to be taken up with an academic discussion of this kind. If, however, the question should take a more definite shape, I shall be happy to resume the discussion with a view to arriving, if possible, at a practical result.

Yours faithfully,
JOHN PENDER.

To the Honourable Sir Charles Tupper, Bart.,
G.C.M.G., C.B.

Enclosure No. 3.

Sir CHARLES TUPPER to Sir JOHN PENDER.

Office of the High Commissioner for Canada,
17, Victoria Street, London, S.W.,
June 8, 1894.

DEAR SIR JOHN PENDER,

I am not surprised to find by your letter of the 6th instant that you wish to close the correspondence which you initiated, and I cannot help thinking that those who have followed it will wonder why it was ever commenced. I am quite satisfied to leave all the questions at issue to the judgment of the public. Your admission that the "existing service" has already received over 2,000,000*l.* of Government subsidies; that the life of a cable may fairly be estimated at 20 years; and that you are responsible for the statement that the existing service to Australasia is a "monopoly" is very satisfactory to me. I am also glad that I have been able to induce you again to revise your estimate. In reply to your question, I venture to suggest that capitalists will not be influenced in this matter by your opinion or mine, as their decision will depend upon the action of the Governments of the United Kingdom, Australasia, and Canada.

Yours faithfully,
CHARLES TUPPER.

Sir John Pender, G.C.M.G., M.P.